

Information on Time Deposits and Letters of Credit
for Personal Bonds Pledged for Surface Management

The following information is provided to assist the operator, claimant, principal, or obligor in obtaining a Time Deposit or an Irrevocable Letter of Credit to be used as security for Bureau of Land Management (BLM) surface reclamation bonds.

Time Deposits (Example: Certificates of Deposit)

A Time Deposit (TD) must be presented to the BLM State Office according to the following items:

1. The financial institution issuing the TD must be insured by the Federal government (FDIC/FSLIC) or the bank must be a Federal Reserve Branch Bank. Time deposits issued by an insured credit union (NCUA) are also acceptable.
2. A TD cannot exceed \$100,000 from any single financial institution.
3. The BLM must hold sole right to redeem the TD. Bank records must reflect that only the BLM may collect the amount of the TD.

Indicate on the face of the TD the following: "The Secretary of the Department of the Interior or his duly authorized representative is granted full authority to demand immediate payment in the case of default. Approval by the Secretary of the Department of the Interior or his duly authorized representative is required prior to the redemption of the TD by any party.

4. Any earned interest will be paid to the obligor and not to BLM.
5. The TD should be provided in the amount required for surface reclamation and include an additional amount sufficient to cover any penalties for early redemption. If the TD is submitted for only the amount determined for surface reclamation, the obligor must also submit a statement that any penalties for early redemption will be paid from the obligor's interest earned and not from the principal amount of the TD.
6. There should be no expiration of time in which the TD may be collected by the Bureau.
7. Make the TD payable to the Department of the Interior (DOI) – Bureau of Land Management.
8. Include the mailing address of the financial institution issuing the TD.

Irrevocable Letters of Credit

A Letter of Credit (LOC) must be presented to the State Office as follows:

1. The LOC must be payable to the Department of the Interior - BLM.
2. The initial expiration date must not be less than one year from the effective date and must contain an automatic renewal provision in at least one-year increments.
3. The LOC must contain provisions allowing collection by BLM for failure of the obligor to replace the bond if 90-day notice is given by the bank that the LOC will not be renewed.
4. The LOC must be available by demand payment(s). The LOC should allow partial drafts by BLM.

The following page is sample language to be used when securing an Irrevocable Letter of Credit.

Irrevocable Letter of Credit No. _____

Date Issued _____

Beneficiary:

DOI, Bureau of Land Management
Nevada State Office
1340 Financial Blvd.
P.O. Box 12000
Reno, NV 89520-0006

Ladies and Gentlemen:

On behalf of (operator, claimant, other entity) of (address), as obligor, we (bank, financial institution) of (address) hereby establish an Irrevocable Letter of Credit in favor of the U.S. Department of Interior, Bureau of Land Management (BLM) and agree to pay upon demand by BLM, up to an aggregate amount of U.S.\$ _____ upon receipt of your draft(s) at sight on us and your written notification signed by a purported authorized officer of BLM to the effect the obligor has been determined to be in default and the amount drawn represents the reasonable amount, as determined by BLM, of such default.

This Letter of Credit is available with (bank or financial institution) at (address) by sight payment. Partial drawings are permitted.

This Letter of Credit is effective (date), and will expire at our offices in _____ on (minimum of 1 year from effective date), and shall thereafter be automatically renewed for a one year period upon such date and upon each anniversary of such date, unless at least ninety (90) days prior to the then current expiration date we notify you at the above address by certified mail, return receipt requested, that we elect not to renew this letter of credit for such additional period.

Upon receipt by the BLM of such a notice from us not to renew this Letter, BLM may draw on us at sight for up to the amount of the Letter of Credit, prior to the expiration thereof, provided that such a draft is accompanied by a statement signed by a purported authorized officer of the BLM that no satisfactory replacement bond has been provided by the obligor prior to 30 days before this Letter of Credit expires, pursuant to 43 CFR 3809.

It shall not be required for the BLM, in order to draw on this Letter of Credit, to furnish the original Letter; however, it is understood, as a condition of any payment thereunder, that the face amount of the Letter shall automatically be reduced by any payment made by the bank and that the BLM will promptly surrender the original Letter of Credit when and if the bank shall tender to the BLM the full amount of funds represented by this Letter; such surrender to occur as soon as reasonably practical after full payment is made. The original Letter of Credit shall also be surrendered promptly following its expiration.

We promise that the amount of credit herein established will not be reduced for any reason during the effectiveness of this Letter of Credit without the prior written approval of the BLM. We are informed that this Letter of Credit is issued per the requirements of 43 CFR 3809.

This credit is subject to the Uniform Customs and Practice for Documentary Credits, 1993 revision, ICC Publication No. 500.